National Energy Marketers Association

COMMONWEALTH OF MASSACHUSETTS

BEFORE THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of	)	
Telecommunications and Energy on	)	D.T.E. 02-38
its own Motion into Distributed Generation	)	

COMMENTS OF THE NATIONAL ENERGY MARKETERS ASSOCIATION

The National Energy Marketers Association (NEM) hereby submits comments pursuant to the Department's, "Request for Comments," issued May 19, 2003, in the above-referenced proceeding. NEM appreciates the opportunity to provide comments on the Joint Report and Interconnection Tariff. NEM has developed, "*National Guidelines for Implementing Distributed Generation and Related Services*"[1], which inform the comments set forth below.

I. Background

The National Energy Marketers Association (NEM) is a national, non-profit trade association representing wholesale and retail marketers of energy, telecom and financial-related products, services, information and related technologies throughout the United States, Canada and the U.K. NEM's Membership includes wholesale and retail suppliers of electricity and natural gas, independent power producers, suppliers of distributed generation, energy brokers, power traders, and electronic trading exchanges, advanced metering and load management firms, billing and information technology providers, credit, risk management and financial services firms, software developers, clean coal technology firms as well as energy-related telecom, broadband and internet companies.

This regionally diverse, broad-based coalition of energy, financial services and technology firms has come together under NEM's auspices to forge consensus and to help resolve as many issues as possible that would delay competition. NEM members urge lawmakers and regulators to implement:

- Laws and regulations that open markets for natural gas and electricity in a competitively neutral fashion that bring suppliers and consumers together at the lowest possible cost;
- Standards rates, tariffs, taxes and operating procedures that unbundle competitive services from monopoly services and encourage true competition on the basis of price, quality of service and provision of value-added services;
- Accounting and disclosure standards to promote the proper valuation of energy assets, equity securities and forward energy contracts, including derivatives; and

1 See http://www.energymarketers.com/Documents/NEMDGGuidelinesfinaldraft.PDF

- Policies that encourage investments in new technologies, including the integration of energy, telecom, digital communications and Internet services to lower the cost of energy and related services.

II. Role of Distributed Generation in Distribution Companies Resource Planning

As an initial matter, NEM submits that distribution system planning practices should acknowledge that distributed generation may function as a demand-side management resource to reduce customer impact on the distribution system or to enhance the reliability of the system. When forecasting the impact of distributed generation on future load requirements, the distribution utility often assumes that many small generating units will simultaneously trip off (due to an under-voltage situation), and that the distribution system must be over-sized to serve customer load absent any distributed generation. However, improved controls are now available to reduce the likelihood that these customers' loads will suddenly be added to the system.

Utilities should be encouraged to consider that deferral of system upgrades may be feasible when distributed generation is appropriately sized, sited and dispatched. Distributed generation that is appropriately planned into the utility system may be counted to stay on-line during system disturbances. During other periods, appropriately placed distributed generation may support the voltage, improve the power quality, lower the line losses, and enhance the reliability of the system. These system benefits should be reflected in utility rate design, tariffs and interconnection policies.

III. Time Frames and Fee Schedules

As a general matter, NEM submits that a standard application form and process will reduce administrative costs for investors in distributed generation as well as utilities. An approach that treats each distributed generation application as unique is time consuming and anti-competitive. Therefore, NEM applauds the Department for taking a lead in adopting a standard application process, including a timeline for utility response to an application to install distributed generation.

A. <u>California and New York Certification Rules, IEEE P1547 and UL 1741 Standards</u>

NEM submits that standardization of technical interface requirements will insure system safety and reliability. Interconnection devices must meet minimum standards with regard to performance, operation, testing, safety considerations, and maintenance of the interconnection. The Institute of Electrical and Electronics Engineers, Inc. (IEEE) has created standards which address distributed resources interconnection with electric power systems and NEM believes that this standard should be adopted uniformly across the country at the earliest possible date. Therefore, NEM supports the Collaborative's recommendation to accept those applicants who can demonstrate facility compliance with IEEE P1547 and UL 1741[2] as candidates for Massachusetts' expedited review process.

2 IEEE P1547 Draft Standard includes design specifications and provides technical and test specifications for Facilities rated up to 10 MVA. UL 1741, "Inverters, Converters and Charge Controllers for Use in Independent Power Systems," was adopted by New York, California and Massachusetts for certifying the electrical protection functionality of independent power systems.

Additionally, NEM supports the recommendation to also accept generators certified in California and New York as candidates for expedited review.

B. Application Fees

NEM commends the Collaborative for recommending that facilities that qualify for the simplified review process do not have to pay an application fee except where system modifications would be needed. The Joint Report, however, recommends that interconnection customers that must be reviewed under the Expedited or Standard Process pay an application fee of $3/kW with a minimum fee of $300 and a maximum fee of $2,500 plus the actual costs of individual impact and facility studies (if required).[3] NEM submits that in California the maximum application fee is $1,400[4] and that the Massachusetts' maximum fee should be capped at a similar amount. Additionally, NEM urges the Department to implement the same application fee exemption for net metered customers that California does to encourage net metering.[5]

C. Application Termination

The Joint Report states that if a customer fails to act expeditiously to continue the interconnection process or delays the process by failing to provide necessary information within a reasonable time, then the utility may terminate the application and the customer must re-apply. NEM urges the Department to require the utility to first send a notice to the customer stating that it is about to terminate the application unless the customer submits the appropriate material within a reasonable amount of time. Additionally, NEM submits that if the utility fails to act expeditiously to continue the interconnection process or unnecessarily delays the process it should be subject to an appropriate penalty for this non-performance.

C. Alternative Time Frame Proposal

RealEnergy proposed an alternative time frame because it believed that the time frame established by the Joint Report "will constitute a continuing barrier to the development of distributed generation in Massachusetts."[6] NEM submits that RealEnergy's proposal is more in line with the time frames established in other states.[7] NEM urges the Department to establish a time line that appropriately

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3 Joint Report, Table 2, p. 16.

4 Decision Adopting Interconnection Standards, Rulemaking 99-10-025, Order Instituting Rulemaking Into Distributed Generation, December 21, 2000, §3.4.

5 Decision Adopting Interconnection Standards, Rulemaking 99-10-025, Order Instituting Rulemaking Into Distributed Generation, December 21, 2000, Appendix A § 3.1.2

6 Proposed Uniform Standards for Interconnecting Distributed Generation in Massachusetts, submitted March 3, 2003, p. 53, Appendix F.

7 The maximum time to process an application in Texas for capacity up to 500kW is four weeks. The maximum time to process an application in New York for a capacity limit of 15kVA is twentyeight days. The maximum time to process an application in California for capacity up to 11kVA is twentythree days. (See http://dg.raabassociates.org/Articles/Mass%20DG%20Interconnection%20Comparison-Navigant.ppt, Comparison of State and Federal Distributed Generation Interconnection Agreements, Presentation to the Massachusetts DG Collaborative, Gene Schlatz, November 12, 2002.

encourages investment in distributed generation so that the benefits of increased system reliability and demand reduction are realized as soon as possible.

IV. Dispute Resolution Process

NEM supports the Collaborative's efforts to establish a dispute resolution process. Well-established and clearly defined dispute resolution procedures and timelines will facilitate the timely resolution of disputes between distribution utilities and interconnection customers and reduce costs associated with addressing disputes through alternative means such as litigation.

V. Cost Allocation and Adjustment Procedures

The May 15, 2003 Collaborative letter to Secretary Cottrell indicated that the Collaborative was unable to reach agreement on: (1) the appropriate allocation of utility costs for studies or upgrades where benefits may accrue to other utility customers and (2) whether utilities should be required to provide a fixed price or a "not-to-exceed" cost for system modifications and system studies and who should bear the excess costs when actual costs exceed those provided in the Agreements."[8]

NEM submits that utility costs for studies or upgrades that may benefit distributed generation customers and other utility customers should be allocated on a non-discriminatory basis and assessed on all customers. NEM believes that the utilities should be required to provide a fixed price or "not-to-exceed" cost for system modifications and studies. NEM supports a method that collects any excess costs associated with system upgrades and studies equally and in a non-discriminatory manner from all utility customers because the benefits of distributed generation (e.g. demand reduction and increased system reliability) advantage all utility consumers. Addditionally, NEM recommends that Massachusetts consider a procedure similar to that adopted in New York where the utilities must clearly identify their costs related to the applicants' interconnections, specifically those costs the utilities would not have incurred but for the applicants' interconnections and keep a log of all applications, milestones met, and justifications for application-specific requirements.[9]

A. Review and Study Costs and Separation of Costs

The DG Cluster supports the following language for Section 5.1 of the Tariff,

> The Interconnecting Customer shall be responsible for the reasonably incurred costs of the review by Company and any interconnection studies conducted as defined by

8 Tariff to Accompany Proposed Uniform Standards for Interconnecting Distributed Generation in Massachusetts, submitted May 15, 2003, p. ii-iii.

9 New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators 300 kVA or Less, or Farm Waste Generators 400 kW or less, Connected in Parallel with Radial Distribution Lines, March 20, 2003, pp.1-2.

> Table 2 ("Fee Schedule") of Section 3 of this Tariff solely to determine the requirements of interconnecting a Facility with Company EPS. (Emphasis added.)

NEM also supports the inclusion of the word "solely" because it should be clear that the Interconnecting Customer is only responsible for the direct costs involved in determining the particular requirements necessary for interconnecting its facility with the utility's EPS.

The DG Cluster supports the following language for Section 5.4 of the Tariff,

> The Interconnecting Customer shall only pay for that portion of the interconnection costs resulting solely from the Systems Modifications required to allow for safe, reliable parallel operation of the Facility with the Company EPS.

NEM also supports the inclusion of these two phrases to ensure that the interconnecting customer is only paying for the costs that are a direct result of the modifications that were necessary for its particular interconnection. NEM submits that distributed generation provides significant value to the distribution system and can enhance the reliability of service, reduce distribution system losses, defer distribution upgrades, provide voltage support and enhance power quality. NEM submits that excessive charges associated with interconnecting distributed generation facilities are significant barriers to development of this important resource and only reasonable interconnection charges should be recovered.

VI. Supercedence

The DG Cluster proposed the following language for the section on supercedence in the Interconnection Service Agreement, "In the event of a conflict between this Agreement and the terms of the Interconnection Tariff or any other tariff, Exhibit or Attachment incorporated by reference, the terms of this Agreement shall control." (Emphasis added.) The Utility Cluster proposed the following language for the same section, "In the event of a conflict between this Agreement, the Interconnection Tariff, or the terms of any other tariff, Exhibit or Attachment incorporated by reference, the terms of the Interconnection Tariff, as the same may be amended from time to time, shall control." (Emphasis added)

NEM supports the language proposed by the DG Cluster and submits that in cases of conflicting language the Agreement should control because that is the document that the interconnecting customer and utility signed and ultimately agreed to. If the terms of the agreement may be unilaterally altered, the purpose of executing an agreement is abrogated. Additionally, a interconnecting customer should not be burdened with constantly checking the Tariff to see if language has been added or deleted or different provisions have been incorporated that may affect his/her rights under his/her individual contract.

VII. Operations and Maintenance Carrying Charges

The Joint Report states that the issues of: (1) who should pay the Company's operations and maintenance (O&M) carrying charges on the incremental costs associated specifically with serving

the DG customer and (2) how these charges should be allocated should be taken up in the next phase of the DTE's docket. NEM urges the Department in this next phase to consider that traditional utility rate design relies on theories of average, embedded cost-of-service pricing, and often, utilities back up rates and/or demand charges assume that at any one time all DG units on the system will go off line and impose peak demand on the system. Additionally, utilities charge all incremental system costs to the DG customer, but do not acknowledge any incremental system benefits. These tariff designs and assumptions represent significant barriers to the ability of consumers to make the investments needed to increase distributed generation resources and often over-price utility systems and services that are needed to implement competition. NEM submits that since distributed generation has net benefits that are of value to all utility customers, any charge that is collected for O&M should be collected in a competitively neutral fashion from all utility customers.

VIII. On-Going Collaborative and Information Tracking

The Collaborative recommended that the DTE authorize the Collaborative to undertake a two-year review process for studying distributed generation interconnection experiences under the Collaborative recommended procedures. A goal of the extended review process is to reduce the need for studying issues beyond those covered by the screens. NEM strongly supports this goal and agrees that the Collaborative should continue to strive toward creating industry best practices that minimize the fees and time involved in impact and facility studies.

IX. Metering, Monitoring and Communications

A. Meter Ownership

The Collaborative is not in complete agreement on who should own the meter.[10] Section 8.1 of the Tariff states that the Company shall own the meter, however, if the Facility is a Qualifying Facility or On-Site Generating Facility the Interconnecting Customer may elect to own the meter. NEM submits that all customers should be able to participate in competitive metering by purchasing or otherwise contracting for a meter that complies with a standard.

B. Alternative Providers

The Tariff states that the utility will furnish, read and maintain all revenue metering equipment and the interconnecting customer will furnish and maintain all meter mounting equipment such as or including meter sockets, test switches, conduits, and enclosures. NEM submits that alternative suppliers have the ability to provide all meter-related products and services[11] and the Tariff should not require the utility serve this role. NEM submits that states should not grant utilities a monopoly or competitive advantage to provide competitive products, services, information or technology. Utilities should perform solely natural monopoly functions. Essentially, regulated utilities should sell

10 Tariff to Accompany Proposed Uniform Standards for Interconnecting Distributed Generation in Massachusetts, submitted May 15, 2003, p. iii.

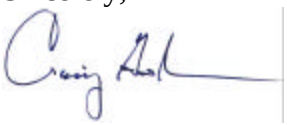
11 Metering services and related information technologies include ownership, installation, servicing of equipment, maintenance, testing, reading, data management, validation, editing, estimations, pulse output transmission via Internet and billing.

regulated distribution services on a "no frills" incentive-based cost of service basis. Regulations, tariff structures, interconnection rules, back-up rates and operational protocols should be designed to permit competitive, non-utility suppliers to provide each of the products, services, information and technologies that are not natural monopoly functions. The provision of distributed generation technology can and should be opened immediately to competition. In a competitively restructured market, the utilities' historical obligation to serve should be converted into an obligation to connect and deliver. That is, while the utility should and will continue to provide and receive compensation for transportation services for all consumers, it is not in the public interest for the state to continue to grant franchise monopolies or competitive advantages to monopolies to supply products, services, information and technologies that are in fact competitive businesses.

X. Conclusion

NEM commends the Department for taking a lead in adopting a standard application process, including a timeline for utility response to an application to install distributed generation. NEM urges the Department to encourage utilities to acknowledge in their interconnection tariffs and rate designs that distributed generation may function as a demand-side management resource to reduce customer impact on the distribution system or to enhance the reliability of the system.

Sincerely,



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